



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: September 29, 2016 REPORT NO: 16-085

ATTENTION: Budget and Government Efficiency Committee
Agenda of October 5, 2016

SUBJECT: Fiscal Year 2017 Zero-Base Budget Pilot Process Assessment Report

REFERENCE: May 2, 2016 memorandum to Council "FY 2017 Zero-Base Budgeting Pilot Process"

June 28, 2016, City Council Item #338: Information Related to Zero-Base Budgeting

REQUESTED ACTION:

Accept the Fiscal Year 2017 Zero-Base Budget Pilot Process Assessment Report.

STAFF RECOMMENDATION:

Accept the Fiscal Year 2017 Zero-Base Budget Pilot Process Assessment Report. This report is for information only.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

This report to the City Council provides a final assessment of the Fiscal Year 2017 Zero-Base Budget (ZBB) Pilot Process.

On January 27, 2015, City Councilmembers Scott Sherman and Chris Cate sent a memorandum to the Mayor requesting that staff research and implement a ZBB pilot process in FY 2017. The participating departments in the pilot were Performance and Analytics and the Facilities Division within the Public Works Department. From September 2015 through September 2016, the Financial Management Department coordinated the implementation of a ZBB pilot alongside the City's standard budget development process.

The scope of this report includes department staff time to conduct the pilot ZBB program, benefits and challenges experienced, and recommendations for future budget development enhancements.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal # 1: Provide high quality public service

Objective # 2: Improve external and internal coordination and communication

Goal # 3: Create and sustain a resilient and economically prosperous City

FISCAL CONSIDERATIONS: None, this is an information report only.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable): N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTION: This item will be heard at the Budget and Government Efficiency (B&GE) on October 5, 2016. On May 2, 2016, Financial Management issued a memorandum to City Council "Fiscal Year 2017 Zero-Base Budget Pilot Process." On June 28, 2016, Item #338, Financial Management presented an overview of the ZBB pilot to the City Council as part of Council's financial training session.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:
N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:
N/A

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Financial Management Department

signature on file

Chief Financial Officer

Attachments:

1. Report on the Fiscal Year 2017 Zero-Base Budget Pilot Process Report # 16-085
2. May 2, 2016 memorandum to City Council "FY 2017 Zero-Base Budgeting Pilot Process"

Report on the Fiscal Year 2017 Zero-Base Budget Pilot Process September 2016



Financial
Management

signature on file

Scott Chadwick
Chief Operating Officer

signature on file

Mary Lewis
Chief Financial Officer

signature on file

Tracy McCraner
Financial Management Director

signature on file

Adrian Del Rio
Budget Coordinator

INTRODUCTION

This report to the City Council provides a final assessment of the Fiscal Year 2017 Zero-Base Budget (ZBB) Pilot Process. The scope of this assessment includes department staff time to conduct the pilot ZBB program, benefits and challenges experienced, and recommendations for future budget development enhancements. The methodology for developing this assessment included analyzing staff labor reports, requesting survey feedback from department stakeholders, conducting interviews of City staff, and reviewing ZBB practices in other jurisdictions. This report is organized into the following sections: 1. pilot background, 2. ZBB development for the FY 2017 Adopted Budget, 3. analysis of staff time, 4. summary of benefits and challenges, and 5. future considerations.

1. PILOT BACKGROUND

On January 27, 2015, City Councilmembers Scott Sherman and Chris Cate sent a memorandum to the Mayor requesting that staff research and implement a ZBB pilot process in FY 2017. The participating departments were Performance and Analytics (P&A) and the Facilities Division (Facilities) within the Public Works Department. From September 2015 through September 2016, FM coordinated the implementation of a ZBB pilot alongside the City's standard budget development process.

It is important to note that the City currently applies elements of zero-base budgeting in the annual budget development process. Departments are required to develop the following budget line-items using a zero-base approach: (a) non-discretionary accounts (such as, utilities, rent, and debt service), (b) information technology discretionary accounts, and (c) non-standard hour (hourly) funded positions.¹ In the City's current approach for department budget requests, department management critically assesses baseline budgets and then determines if incremental increases will be necessary to maintain or enhance existing service levels. Only after this assessment are the departmental budget requests submitted.

A brief recap of engagement with City Council on the ZBB pilot process is summarized below:

- Nov 12 & 16, 2015 FM introduced to the Independent Budget Analyst (IBA) and the requesting Councilmembers the ZBB methodology for Fiscal Year 2017 pilot process.
- April 25, 2016 FM briefed the requesting Councilmembers on department ZBB requests and FY 2017 Proposed Budgets for P&A and Facilities.
- April 28, 2016 FM briefed IBA staff on department ZBB requests and FY 2017 Proposed Budgets for P&A and Facilities.
- May 2, 2016 FM issued a memorandum to City Council "Fiscal Year 2017 Zero-Base Budget Pilot Process."
- May 4, 2016 Budget Review Committee considered supplemental ZBB information as part of reviewing the FY 2017 Proposed Budget for P&A.

¹ For Fiscal Year 2016, forty-two percent (42%) of General Fund non-personnel expenses for non-discretionary accounts and IT discretionary accounts resulted from the zero-based annual review for budget development.

May 5, 2016 Budget Review Committee considered supplemental ZBB information as part of reviewing the FY 2017 Proposed Budget for Facilities.

June 28, 2016 FM presented an overview of the ZBB pilot to the City Council as part of Council's financial training session.

2. ZBB DEVELOPMENT FOR THE FY 2017 ADOPTED BUDGET

2.1. Overview of ZBB Process for the FY 2017 Adopted Budget

The ZBB pilot process involved manual data collection from P&A and Facilities. Manual data collection was necessary due to the budget and financial systems not being structured for program-based budgeting but rather structured by organizational units. This data included department, division, program, activity, and service summaries. P&A and Facilities thoroughly examined each program, activity, or service budget need and prioritized them by what was called a "decision package." The ZBB pilot process required P&A and Facilities to develop the following as part of their decision package submissions:

- supporting documentation in each decision package;
- expected service-level results;
- narrative describing impact of the decision package; and
- prioritization of the decision packages.

For the Fiscal Year 2017 ZBB process, the decision packages developed by P&A and Facilities were categorized as:

- **Core Decision Package** - included budget requests that support the department's programs, activities, or services that are mandatory and established by local, State, or federal authorities.
- **Current Decision Package** - built onto the core decision packages and combined together should depict the existing budget levels and reflect the prior year adopted budget including the removal of any one-time adjustments.
- **Enhanced/Efficiency Decision Package** - built onto current decision packages and requests funding to enhance (or maintain) programs, activities, and services levels. This decision package type also includes budget reductions due to operational efficiencies or line-item reductions.

More details on the process for ZBB implementation can be found in the attached May 2, 2016 memorandum to Council "Fiscal Year 2017 Zero-Base Budgeting Pilot Process."

2.2 FY 2017 ZBB Significant Budget Adjustments

The next two sections that follow detail how the *enhanced/efficiency* decision packages for each pilot department were converted into significant budget adjustments (SBAs)² for the Fiscal Year 2017 Adopted Budget publication. SBAs represent the incremental budgeting approach in

² Significant Budget Adjustments are key program and personnel changes by department and fund. Position adjustments are included and impacts of adjustments are described.

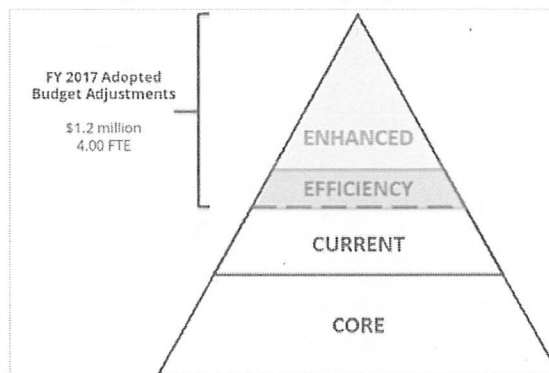
the City's budget development process; incremental budgeting contrasts with the zero-base approach. The SBAs align closely with the ZBB enhanced/efficiency decision packages.

2.1.1. Performance & Analytics:

P&A improves the efficiency and effectiveness of the City's service delivery practices and management structures. The Department supports the improvement of City operations and customer service through programs like Operational Excellence, Open Data, Performance Management, and the new 311-style Customer Experience & Service Delivery Program.

The ZBB enhanced/efficiency decision packages in the Fiscal Year 2017 Adopted Budget total \$1.2 million and 4.00 FTE³.

These decision packages are reflected in Significant Budget Adjustments that follow (some decision package requests were partially funded due to funding constraints):



- (1) **Customer Experience and Service Delivery Program:** Addition of 2.00 Program Coordinators, 1.00 Program Manager, and associated non-personnel expenditures totaling \$712,829 to support the development and deployment of the 311-style Customer Experience and Service Delivery Program.
- (2) **Customer Experience and Service Delivery Program:** Addition of non-personnel expenditures totaling \$400,000 to support the implementation of the 311-style Customer Experience and Service Delivery System.
- (3) **Addition of Program Coordinator:** Addition of 1.00 Program Coordinator and associated non-personnel expenditures totaling \$113,483 to expand Open Data initiatives and analytics.
- (4) **Employee Rewards and Recognition Program:** Addition of non-personnel expenditures totaling \$5,000 to comply with the Employee Rewards and Recognition Program per Administrative Regulation 95.91.
- (5) **Expenditure Reductions:** Reduction of \$25,000 in non-personnel expenditures associated with contractual services due to efficiencies.

³ See P&A budget narrative https://www.sandiego.gov/sites/default/files/performance_analytics.pdf

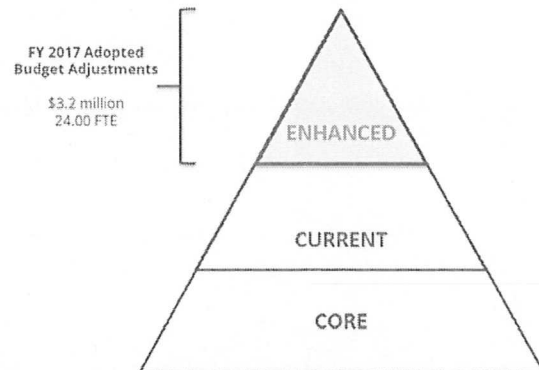
2.1.2. Facilities Division

Facilities is a division within the Public Works Department responsible for providing all day-to-day maintenance and repair, modernization, improvement services, emergency repairs, deferred maintenance, and tenant improvements to more than 1,600 citywide facilities.

The ZBB enhanced/efficiency decision packages in the Fiscal Year 2017 Adopted Budget total \$3.2 million in net expenditures and 24.00 FTE⁴.

These decision packages are reflected in significant budget adjustments that follow (some decision package requests were partially funded due to funding constraints):

- (1) **Facilities Maintenance and Repair Support:** Addition of 21.00 FTE positions and associated non-personnel expenditures totaling \$2,490,084 to increase the facilities maintenance and repair service levels.
- (2) **Carpet Replacement:** Addition of \$255,000 in non-personnel expenditures to replace the carpet in the City Administration Building.
- (3) **Facilities Condition Assessment:** Addition of \$250,000 in non-personnel expenditures for special reports associated with condition assessments of City facilities.
- (4) **Apprenticeship Program:** Addition of \$142,335 for 1.00 Apprentice 2 – Electrician and 1.00 Apprentice 2 – Refrigerator Mechanic for the Apprenticeship Program.
- (5) **Addition for Training Support:** Addition of 1.00 Assistant Trainer, 1.00 Safety and Training Manager, and associated non-personnel expenditures totaling \$107,408 and revenue totaling \$85,000 to support training of new employees, supervisory readiness, and manage risk of trade employees to meet OSHA standards. Reduction of 1.00 Executive Secretary position to offset expenditures.
- (6) **IAM Training Expenditures:** Addition of \$25,452 in non-personnel expenditures associated with the Infrastructure Asset Management (IAM, formerly EAM).
- (7) **Employee Rewards and Recognition Program:** Addition of \$7,475 in non-personnel expenditures to comply with the Employee Rewards and Recognition Program per Administrative Regulation 95.91
- (8) **Department Reductions:** Reduction of \$28,500 in non-personnel expenditures as a result of historical underspending in supplies.
- (9) **IAM Reimbursable Revenue:** Adjustment of \$253,983 to reflect revised revenue projections for reimbursement of SAP Infrastructure Asset Management (IAM, formerly EAM) project labor.



Visit www.sandiego.gov/fm/annual to review complete details for the adopted budget.

⁴ See Facilities budget narrative https://www.sandiego.gov/sites/default/files/public_works.pdf

3. ANALYSIS OF STAFF TIME

The timeline for the ZBB pilot was structured to align with the calendar for the annual budget development process. As such, the participating departments underwent the standard budget development process and the ZBB pilot process, concurrently. The pilot was structured for program/ service-based budgeting, which is unlike the City's current budget development process, which is organization-based incremental budgeting. Organization-based budgeting⁵ aligns with the City's existing budgeting and financial systems. In order to properly apply ZBB theory and practices, departments collected a large amount of data for the pilot (in addition to what is typically collected). As a result, the ZBB pilot process required a considerable investment of staff time beyond what was required for the standard budget process.

3.1. Methodology for tracking time

FM and participating departments' staff tracked time for both the ZBB process and the standard budget development process. The purpose of tracking staff time was to assess the resources consumed by three departments for a parallel, manual budget process. Tracking staff time provided baseline data to broadly indicate how ZBB might scale in future fiscal years. If ZBB was scaled, then there will be recurring costs (e.g. departments collecting decision package data) which are distinct from the pilot's "start-up" costs (e.g. FM creating Excel templates for decision package data). Table 1 below outlines ongoing versus one-time tasks to implement ZBB.

Table 1. Ongoing and One-time Tasks to implement ZBB

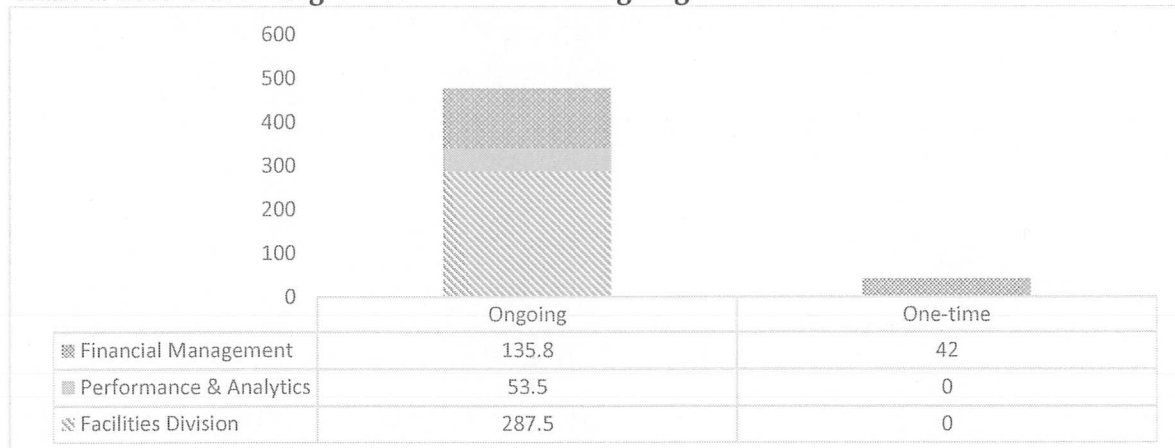
Ongoing (recurring)
<ul style="list-style-type: none"> • Continuous education on emerging ZBB practices and training participating departments; • Updating Excel templates for decision packages; • Providing and participating in training; • Reviewing local, State, & federal code for decision packages; • Engaging program staff for service-level data on decision packages; • Projecting service-level results of decision packages; • Entering data into Excel templates for decision packages; • Creating and reviewing materials for executive-level budget review; • Reconciling data in decision packages with significant budget adjustments; • Adjusting fringe benefit calculations for decision packages; • Creating ZBB supplemental materials; and • Drafting narratives for budget publications.
One-time (non-recurring) for FY 2017 pilot process
<ul style="list-style-type: none"> • Researching historical best practices; • Designing the FY 2017 ZBB process; • Creating Excel templates for decision packages; • Analyzing staff labor reports; • Developing training materials for department stakeholders; and • Preparing presentations for Council hearings to report on the pilot.

⁵ This method budgets by organizational unit and is consistent with the lines of authority and responsibility in organizational units. It reinforces organizational control and allows the aggregation of expenditure data at each functional level.

3.2. Hours Tracked

Chart 1 shows the staff hours spent on the tasks specific to the ZBB process (listed in the previous table). Unclassified staff (i.e. department management, IBA, and Council staff) were not included in the tracking, and the involvement of Facilities' program managers in the decision package process was not tracked. Department staff spent a total of 518.8 hours, or approximately 13 weeks of separate time, on the ZBB process. Of this additional time, 42 hours were spent on one-time tasks, which were undertaken by Financial Management.

Chart 1. Zero-Base Budget total staff hours: Ongoing vs. One-time



Note: Unclassified staff (i.e. department management, IBA, and Council staff) were not included in the tracking, and the involvement of Facilities' program managers in the decision package process was not tracked.

Staff from P&A, Facilities, & FM tracked time dedicated to the standard budget development process (BDP) and the ZBB, separately. Across the three departments, the total time spent on the BDP was 175.5 hours versus the 518.8 hours spent on ZBB. Details by department are shown in Chart 2 which follows. This represents a difference of 343.3 hours, or approximately 8.5 weeks of additional time.

Chart 2. Zero-Base Budget vs. Budget Development Process: Staff hours by department



Note: Unclassified staff (i.e. department management, IBA, and Council staff) were not included in the tracking, and the involvement of Facilities' program managers in the decision package process was not tracked.

Of the total Facilities staff hours spent on ZBB (287.5 hours), the primary driver and most time-intensive element was the effort required to engage service-level program managers in the ZBB development process. Service-based ZBB required budget staff to obtain service-based

budgeting data in order to develop the decision packages. This level of engagement is more intensive than the standard BDP. For P&A, the parity between ZBB (53.5 hours) and BDP (52.5 hours) is consistent with the number and types of ZBB decision packages submitted.

Finally, Financial Management staff spent a substantial amount of time on ZBB (177.8 hours) compared to BDP (43 hours). FM's time devoted to ZBB included (but was not limited to) delivering training to the pilot departments, reviewing 66 decision packages (49 Facilities and 17 P&A), and reconciling ZBB data collected in spreadsheets against data entered into the budget system. For FM, the overall BDP comprised of these sub-processes: restructures, IT discretionary, base budget validation, non-discretionary allotment/distribution, budget adjustments, executive-level review, and document publication.

Moving beyond the FY 2017 pilot into future ZBB implementation, there are few economies of scale to leverage. With each prospective department, there is a learning curve beginning with the introduction to ZBB concepts then training on the process and finally ZBB implementation. Also, it should be recognized that staff hours would correspond with the size and complexity of department budgets. Facilities is a 166.00 FTE division – by comparison⁶, Fire-Rescue (1,220.53 FTE), Libraries (475.86 FTE), Police (2,644.01 FTE), and Parks & Recreation (899.78 FTE) would be a significant undertaking for existing department staff. Such an undertaking would present resource constraints from the added workload which requires overtime, training existing staff, and/or adding staff to assist with budget development.

3.3. Other aspects of ZBB impacting staff time

ZBB implementation with the current budget system: All ZBB data was collected outside of the budget system in a manual, spreadsheet based process. ZBB program/service-based budgeting contrasts with the standard City budget process which focuses on organization units and divisions. Budgeting by service/program is also not available within the City's budget and financial system; therefore, decision package development and review was manually tracked and reconciled in spreadsheets. Although the spreadsheets are sophisticated and provided flexibility, it did present challenges for each decision package request and could be more conducive to user error and therefore potentially risk accuracy and quality of the budget information. The process was time intensive due to the amount of detail required to properly submit and review a ZBB proposal. System integration of ZBB would require a significant amount of resources (e.g. staff time and cost to explore and implement a software solution). Furthermore, it should be noted that integrating ZBB would not change the necessity for dual approaches for data collection to implement the ZBB pilot process in future years. Prospectively, City departments undergoing ZBB would create decision packages in spreadsheets and then transform them into budget adjustments for entry in the budget system to publish the budget document.

4. SUMMARY OF MAJOR BENEFITS AND CHALLENGES

In the sections that follow, the major benefits and challenges of ZBB experienced in the pilot process are highlighted. Also, FM has Included City staff responses from the feedback survey and semi-structured interviews that were conducted after the FY 2017 budget was adopted. The sections that follow are not an exhaustive account of benefits and challenges but rather

⁶ See Schedule III: General Fund FTE Positions by Department
https://www.sandiego.gov/sites/default/files/v1financialsummary_0.pdf

demonstrate how the City of San Diego's experience compares to other jurisdictions that implemented ZBB.

4.1. Comparison of ZBB Pilot experience to other jurisdictions

From a review of the previously referenced GFOA report, there are major themes that characterize the overall findings the Government Finance Officers Association captured from 413 survey responses of jurisdictions who implemented some variation of ZBB.

4.1.1. Major Benefits of ZBB

The major benefits gained from the ZBB pilot for the City of San Diego are consistent with both the findings in the GFOA survey of multiple jurisdictions and also those jurisdictions surveyed in the Independent Budget Analyst (IBA) report on ZBB⁷.

- **Moves organization away from incremental budgeting** – Prior year spending is not the key reference point in ZBB. The entire budget is examined from a broader perspective rather than a view of major objective categories of spending (e.g. personnel, contracts, supplies, etc). As such, ZBB moves budgeting away from across-the-board reductions.⁸

City staff feedback

- *"The ZBB process facilitated by FM encourages proactive long-term thinking."*
- *"This more clearly identified our funding needs."*
- *"The process made us rethink and reconsider our staffing and resources for the current year and for future years."*

- **Engages lower-level management in budgeting** – ZBB, in an ideal scenario, allows for the lowest levels of budgetary decision making (given that detailed information required for ZBB is provided by staff in all levels of the organization).⁹

City staff feedback

- *"Department staff felt more empowered."*
- *"The program managers saw the exercise as a way to better know the cost allocations of their programs, which helped them determine if they needed to request budget adjustments."*

The City staff feedback is similar to the state of Georgia's experience (as noted in the IBA report).

- **Gives decision-makers insight into operations** – Through ZBB, upper-level management and legislators authorizing budgets gain better insight into a department's day-to-day activities.¹⁰

City staff feedback

- *"ZBB will help the departments make their base budgets lean if they know that their decision packages, if accepted, will be truly implemented exactly as they are presented/finalized."*

⁷ Zero-Based Budgeting Concepts and Examples. Office of the Independent Budget Analyst Report 16-16.

⁸ Kavanagh, Shayne C. Zero-Based Budgeting: Modern Experiences and Current Perspectives., page 15.

⁹ Kavanagh, Shayne C. Zero-Based Budgeting: Modern Experiences and Current Perspectives., page 14.

¹⁰ Kavanagh, page 14.

- *"The exercise prompted us to really take a look at how much time each staff [person] spent on each of our department's programs. Therefore, we better [understood] our staff costs allocation more precisely."*

The City staff feedback is similar to jurisdictions examined in the IBA report: 1) the state of Georgia's legislators gained "a better understanding of agency activities" and 2) Seattle's City Council gained an "understanding of the range of services provided."

- **Allows decision-makers to select different service levels** – In ZBB, departments develop decision packages that allow decision-makers to select a level of service rather than a choice of all-or-nothing. Managers often obtain a refined sense of how costs are accounted for and implications of allocation decisions.¹¹

City staff feedback

- *"By building the budget from the ground-up and linking the cost to individual services, it was easier to understand how decisions to fund (or not) impacted services."*
- *"This process allowed us to take a good look at various aspects of our maintenance tasks and figure out ways that our levels of service could be enhanced."*
- *"For [decision packages] not selected, [there] was now a pool of potential future enhancements to select from should the Mayor, COO, Council, etc. be interested in additional services."*

The City staff shared a common experience with Seattle, WA the review helped the Seattle City Budget Office identify the "costs affiliated with each activity."

4.1.2. Major Challenges of ZBB

The major challenges faced in the ZBB pilot for the City of San Diego are consistent with the findings in the GFOA survey of multiple jurisdictions.

- **Requires manual tracking and analysis in addition to standard budget development process**– The ZBB process requires considerable effort to develop multiple decision packages representing the base budget up through enhancements.¹² In the pilot, P&A submitted 17 decision packages and Facilities submitted 49 packages – each with detailed supporting information (refer to section 2.1 above). Publishing the supplemental ZBB material duplicated the effort to publish the budget document. Specifically, publication of the budget document still required data entry into the budget system independent of the ZBB process.

City staff feedback

- *"ZBB is not an automated process and took additional staff time to implement outside the regular budget process."*
- *"More time was needed to justify the base budget."*
- *"Staff spent more time to put together the documentation for ZBB."*

- **Requires good performance data** – Performance measures and benchmarks quantify the strategic intent of ZBB. Good measures assist decision-makers in setting a service level and assessing the feasibility of scaling decision packages.¹³

¹¹ Kavanagh, page 12.

¹² Kavanagh, Shayne C. Zero-Based Budgeting: Modern Experiences and Current Perspectives., page 17.

¹³ Kavanagh page 17.

City staff feedback

- *“Organization needs to have a deep understanding of their service levels and customer demands.”*
 - *“The process could deliver savings, only if the ZBB approach is modified to incorporate performance-based and/or outcomes-based budgeting principles that would align spending with goals/objectives with results.”*
 - *“Without a strong performance management structure, it’s difficult for a department to know exactly where they should allocate or reduce, even under a ZBB system.”*
- **Creates costly, complex, and time consuming processes** – There are extreme constraints related to department capacity to complete ZBB within a budget cycle and the availability of personnel to drive the internal process.¹⁴ Operating within these constraints make it all the more likely for errors, thus comprising the quality and integrity of budget data. Such inaccuracies have adverse impacts when acted on by decision-makers approving the budget.

City staff feedback:

- *“The gathering portion requires significant time and effort.”*
- *“Don’t think an organization should do [ZBB] every year. The level of effort to implement a ZBB effort is extensive. The investment would not pay off every year.”*
- *“Allow a little more time for completion because most analyst wear multiple hats.”*

The City staff feedback is consistent with the state of Georgia’s experience that “departments consumed a considerable amount of budget staff time” and Montgomery County (PA) process which was “extremely time consuming.”

5. FUTURE CONSIDERATIONS

Based on departments’ experiences during the pilot, GFOA recommended practices, and implementation considerations from the IBA report¹⁵, there is consensus among management and staff that the pilot process identified both strengths in the City’s approach and opportunities to enhance the application of zero-base budgeting in the current, standard budget development process.

There is existing capacity to enhance zero-base budgeting methods by building on past efforts (e.g. non-standard hourly positions, IT discretionary, and non-discretionary). As previously stated, 42% of General Fund non-personnel expenses for IT discretionary accounts and non-discretionary accounts resulted from the zero-based annual review for budget development in FY 2016. In FY 2017, the overtime budget for Fire and Rescue Department was developed through zero-base budgeting.

However, at this time, the ZBB pilot process is not recommended for the FY 2018 budget development process. This recommendation is grounded in the fact that there is currently insufficient capacity to effectively implement the process. As reflected in the analysis of staff time (i.e. additional 13 weeks of staff), the level of effort and resources needed to replicate ZBB

¹⁴ Kavanagh, page 14.

¹⁵ Zero-Based Budgeting Concepts and Examples. Office of the Independent Budget Analyst Report 16-16, page 11.

for an entire department (or large division) is sizeable without anticipated costs savings to justify the effort.

Furthermore, resource constraints make it challenging to undertake new budget development processes. Within existing resources, there are planned process improvements to strengthen current activities that are jeopardized by the addition of new budget development processes. Beyond existing resources, the expected increases in General Fund obligations in FY 2018 (and beyond) limit available resources to core service and programs.

Despite the significant challenge of expanding the pilot, there is the opportunity to build on past efforts (as referenced above) to enhance zero-base budgeting moving forward. For FY 2018 budget development, potential focus areas for zero-base budgeting are Police overtime, fleet vehicle purchasing, and/or other non-personnel expenses with large budget-to-actuals variances. Stakeholder feedback can help identify focus areas that could benefit from a line-item zero-base budgeting at no additional costs to take on the process.

ATTACHMENT:

May 2, 2016 memorandum to City Council "FY 2017 Zero-Base Budgeting Pilot Process"



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: May 2, 2016

TO: Honorable Councilmember Chris Cate, Council District 6
Honorable Councilmember Scott Sherman, Council District 7
Honorable Council President Sherri Lightner, Council District 1 and Members
of the City Council

FROM: Tracy McCraner, Financial Management Director

SUBJECT: Fiscal Year 2017 Zero-Base Budgeting Pilot Process

This memorandum provides an update to the City Council on the Fiscal Year 2017 Zero-Based Budgeting (ZBB) Pilot Process as requested by City Councilmembers Scott Sherman and Chris Cate. Included within are ZBB project background, process narrative, and details of implementation.

BACKGROUND

On January 27, 2015, City Councilmembers Scott Sherman and Chris Cate sent a memo to the Mayor requesting that staff research and implement a Zero-Based Budgeting (ZBB) pilot process for Fiscal Year 2017. The request was to select at least one General Fund department with an annual budget of more than \$1.0 million and conduct a pilot ZBB during the FY 2017 budget development process. Their primary objective was to increase transparency into the City's budget process and explore budget accountability. The participating Departments ultimately chosen for the ZBB were Performance & Analytics (P&A) and the Facilities Division (Facilities) within Public Works General Services Department. Financial Management (FM) is conducting the ZBB pilot program in collaboration with P&A and Facilities department management and staff, the ZBB is a systematic approach to planning and decision-making that included several principles and processes used in the City's annual budget development process.

FM researched several government financial resources on ZBB theory and the practical application of this budgeting approach. The Government Finance Officers Association (GFOA) is the primary research agency in ZBB budgeting for governmental agencies and they were selected as FM's primary resource for this pilot project. Based on GFOA's extensive research, theoretical ZBB is rarely practiced by municipalities; however, the use of ZBB concepts are widely used in many municipalities¹. Specifically, GFOA cited only two government agencies who budget using "textbook" ZBB. Primary disadvantages cited: staff and time-intensive;

¹ Kavanagh, Shayne C. Zero-Based Budgeting: Modern Experiences and Current Perspectives. Government Finance Officers Association, 2011.

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large organizations could have hundreds of decision packages to create, review and process; and justifying every expense is simply not feasible. However, there are advantages such as: all costs are justified every budget cycle; focus is on priorities; budget reductions and/or efficiencies are expected; and budget decisions are based on data and not historical assumptions. These advantages are the reason many government entities reported using elements of ZBB budgeting methods that are, in part, inspired by ZBB ideas. "The pure version of ZBB found in theory appears to be very rare in practice. Rather, the label of 'zero based budgeting' has been applied to budgeting methods that borrow elements of pure ZBB, but that do not conform to the theoretical ideal."²

It is important to note that FM already employs elements of ZBB in the City's current annual budget development process. Departments are required to develop the following budget areas using a ZBB approach: (a) non-discretionary accounts (such as, utilities, rent, and debt service), (b) information technology discretionary accounts, and (c) non-standard hour (hourly) funded positions. Furthermore, ZBB is a management principle used by some departments when requesting additional funding, or incremental increases, as part of the City's current budget development process. In our current budget approach, department management critically assess baseline budgets and then determines if incremental increases will be necessary to maintain or enhance existing service levels.

Of all ZBB concepts studied, FM modeled the City's ZBB pilot after the ZBB Service-Based Budgeting approach. ZBB "Service Level Budgeting" incorporates the use of performance metrics and the categorization of activities, programs and services.³

ZBB focuses on budgeting by program, activity, or service. This is in contrast to our current budget process which focuses on organization units and divisions. Budgeting by program is also not currently available within the City's budget system so all ZBB development and review was manually tracked and reconciled in spreadsheets. Facilities and P&A were asked to thoroughly evaluate budget needs for each program, activity, or service and prioritize budget requests in accordance with existing budget levels and proposed budget levels. The timeline for the ZBB pilot was structured to align with the calendar for the current annual budget development process. As such, the participating departments commenced their typical budget development process and the ZBB pilot process concurrently. FM and participating departments' staff tracked time for both the ZBB pilot process and the current budget development process. The purpose of tracking staff time was to use this data as part of a cost-benefit analysis that will be included in an update to this report (September 2016) once the budget is adopted and the ZBB pilot process is complete.

ZERO-BASED BUDGET PILOT PROCESS

The ZBB pilot process involved a considerable amount of time and manual data collection from P&A and Facilities. This data included department, division, program, activity, and service summaries. The department and division summaries provided an overview of the department's core purpose and described key functions of the department. This is currently the focus of the City's current budget. However, ZBB also requires data by program, activity, and/or services within the department or division. P&A and Facilities thoroughly examined each program, activity, or service budget need and prioritized them by what is called a "Decision Package." The ZBB pilot process requires departments to provide:

² Ibid., page 7.

³ Ibid., page 10.

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- supporting documentation in each decision package
- performance metrics
- descriptive narrative of impact of the decision package
- prioritization of the decision packages

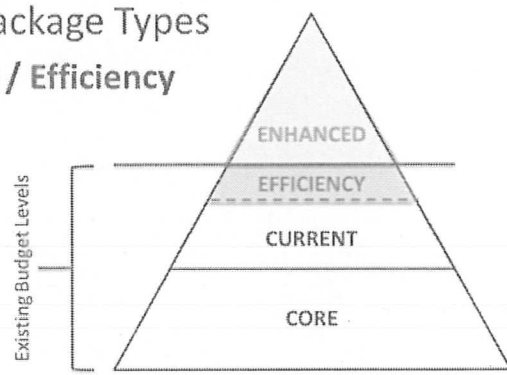
The **Core Decision Package** includes budget requests that support the department's programs, activities or services that are mandatory and established by local, State, or federal authorities.

The **Current Decision Package** is built onto the Core decision package and together combined should depict the existing budget levels and reflect the prior year adopted budget including the removal of any one-time adjustments (FY 2016 Adopted Budget).

The **Enhanced/Efficiency Decision Package** is built onto Current decision package and request funding to enhance (or maintain) programs, activities, and services levels. This decision package type should also include budget reductions due to operational efficiencies or line-item reductions.

Decision Package Types

- **Enhanced / Efficiency**
- **Current**
- **Core**



For all decision package types (Core, Current, and Enhancement/Efficiency), performance metrics were required to communicate incremental changes in service impact for each level in the hierarchy of decision package types.

FY 2017 ZERO-BASED BUDGET IMPLEMENTATION

Performance & Analytics

P&A improves the efficiency and effectiveness of the City's service delivery practices and management structures. The Department supports the improvement of City operations and customer service through programs like Operational Excellence, Open Data, Performance Management, and the new 311-style Customer Experience & Service Delivery Program. P&A implemented the ZBB pilot process through funding allocations by program. P&A assessed each program, evaluated the needs, and prioritized requests as "decision packages" within each program.

Decision Package Summary

The total amount of P&A requests for the Fiscal Year 2017 Proposed ZBB budget is 20.00 Full-Time Equivalent (FTE) positions and \$6.8 million in net expenditures.

The Core and Current decision packages reflect the existing budget levels (\$1.7 million, 11.00 FTE positions) as follows:

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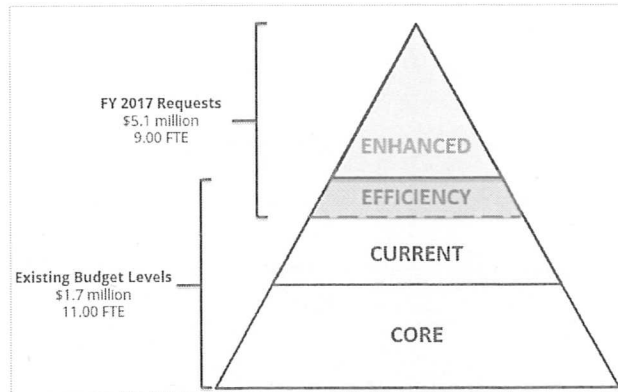
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- Core decision packages include 2.25 FTE positions and \$299,465 in expenditures;
- Current decision packages include 8.75 FTE positions and \$1.4 million in expenditures.

Enhancement/Efficiency decision packages include 9.00 FTE positions and \$5.1 million in expenditures.

The decision package tables that follow provide decision package title and descriptions, FTE, and budget – the budget reflects total expenditures offset by revenues (where applicable). After each table is additional information on service level information and further justification for the decision package.



Core Decision Package Detail

Through the ZBB process, P&A identified two programs to be categorized as Core decision packages. These services are considered Core because they are required by City Charter, Municipal Code and Council Policy.

Managed Competition (Core)	FTE	Budget
\$27,464 in personnel expenditures for 0.25 Program Manager.	0.25	\$27,464

- Post-implementation for Managed Competition pursuant to the Managed Competition Guide
- Report to Mayor's Office, City Council, and employee organizations on managed competition functions
- Ensure compliance with City Charter VIII, MC Guide Ordinance 0-2011-26, and MCIRB Ordinance 0-2011-27

Open Data (Core)	FTE	Budget
\$217,801 in personnel expenditures for 1.00 Program Manager and 1.00 Program Coordinator and \$54,200 in non-personnel costs	2.00	\$272,001

- Prepare and maintain an inventory of City Data, identify high value data sets, launch and maintain an open data portal, and develop publicly accessible tools to help users navigate city data
- Addition of non-personnel expenditures for open data training events and contractual expenses for open data portal and online budget visualization tool
- Comply to Open Data Resolutions R-308684 and R-309441

Total Core decision packages include 2.25 FTE positions and \$229,465 in expenditures.

Current Decision Package Detail:

P&A identified four programs (Managed Competition, Operational Excellence, Performance Management, and Customer Service Delivery) to be categorized as Current decision packages. These programs are considered Current because they build onto the Core decision packages (as mandated by City charter) and add the remaining funding necessary to maintain the current

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level of services (e.g. process improvement and strategic planning). Managed Competition and Open Data are considered as both Core and Current Decision packages. These two programs are considered Core as mandated by City Charter, ordinance, and policy and categorized as current due to a portion of the program is not legally required by mandate but provides enhanced, essential services to the Department's goals and objectives.

Managed Competition (Current)	FTE	Budget
\$74,972 in personnel expenditures for 0.25 Department Director and 0.25 Program Manager and \$20,000 in non-personnel expenditures.	0.50	\$94,972

- Streamline process and continuously identify improvements to the Managed Competition program
- Addition of non-personnel expenditures to retain consultant support to streamline the Managed Competition process

Operational Excellence (Current)	FTE	Budget
\$220,717 in personnel expenditures for 1.00 Senior Management Analyst, 0.50 Program Manager, 0.25 Senior Management Analyst, and 0.25 Supervising Management Analyst and \$55,250 in non-personnel expenditures.	2.00	\$275,967

- Lead efforts to instill a culture of operational excellence and continuous improvement throughout the City
- Manage process improvement projects and facilitate training for City staff on how to identify and address improvement opportunities
- Addition of non-personnel expenditures to retain consultant and professional support to evaluate City operations, develop strategies, and allow staff to attend training events related to operational excellence

Performance Management (Current)	FTE	Budget
\$389,606 in personnel expenditures for 1.00 Program Manager, 1.00 Senior Management Analyst, 0.25 Supervising Management Analyst, and 0.25 Senior Management Analyst and \$75,250 in non-personnel expenditures.	2.50	\$464,856

- Coordinate tactical planning efforts, provide guidance and support to departments developing data collection mechanisms needed for performance indicators, and compile and analyze performance data
- Addition of non-personnel expenditures to maintain a citywide performance dashboard, retain consultant support regarding performance management and performance dashboard training, and allow staff to attend performance management related training events

311 Customer Experience & Service Delivery (Current)	FTE	Budget
\$210,226 in personnel expenditures for 1.00 Program Coordinator and 0.25 Department Director and \$2,625 in non-personnel expenditures.	1.25	\$212,851

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- Coordinate efforts to pilot 311-type customer service delivery solutions and research and report on best practices
- Create a roadmap for the 311-style program deployment
- Addition of non-personnel expenditures related to travel and training related to customer service delivery solutions

Citywide Services & Operations – Dept. Administration (Current)	FTE	Budget
\$335,351 in personnel expenditures for 1.00 Administrative Aide 2, 0.50 Department Director, 0.50 Supervising Management Analyst, and 0.50 Senior Management Analyst and \$73,265 in non-personnel expenditures.	2.50	\$408,616

- Provide department leadership, daily operational support, and assistance on special projects
- Addition of non-personnel expenditure related to department-wide training and education, travel, office supplies, cellphone service, transportation/parking, printing, and consulting services for special projects/studies

Citywide Services & Operations – Non-Discretionary & IT (Current)	FTE	Budget
\$74,126 in non-personnel expenditures for non-discretionary costs.	0.00	\$74,216

- Addition of non-personnel expenditures (e.g. fleet, IT, electrical services) associated with department operations determined by non-discretionary provider departments.

Total Current decision packages include 8.75 FTE positions and \$1,421,533 in expenditures.

Enhancement/Efficiency Decision Package Detail:

Performance & Analytics identified 10 Enhancement/Efficiency decision packages which build upon current decision packages and increase funding to enhance (or maintain) programs, activities, and services levels. This decision package type also includes budget reductions due to operational efficiencies or line-item reductions. There are four programs for these decision packages: Performance Management, Open Data, Operational Excellence, and Customer Experience & Service Delivery. These enhancements will expand Open Data initiatives, improve strategic planning and performance management, support excellent customer service, and streamline processes citywide to become more efficient in service delivery.

Department Administration (Efficiency)	FTE	Budget
Reduction of \$25,000 in non-personnel expenditures.	0.00	\$(25,000)

- Reduce non-personnel expenditures associated with contractual services due to efficiencies

Performance Management (Enhancement)	FTE	Budget
Addition of \$106,492 in personnel expenditures for 1.00 Program Coordinator and \$5,500 in non-personnel expenditures.	1.00	\$111,992

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- Implement a Citistat program to allow the City to track and manage large amounts of performance data to identify areas of underperformance, enhance current operations and service delivery processes, and foster accountability
- Establish a program structure, coordinate performance review meetings, gather and report on performance data, oversee the City's internal and external survey efforts
- Addition of non-personnel expenditures related to training and travel and new employee workstation/equipment setup

Open Data (Enhancement)	FTE	Budget
Addition of \$212,983 in personnel expenditures for 2.00 Program Coordinators and \$11,000 in non-personnel expenditures.	2.00	\$223,983

- Expand web development, data science, data integration, and data analytics
- Automate data-reliant processes, such as 'budget book' development, to create time savings and efficiencies
- Conduct data modeling and analytics projects (i.e. water conservation targeting, fire response time optimization)
- Addition of non-personnel expenditures related to training, travel, and new employee workstation/equipment setup

Operational Excellence (Enhancement)	FTE	Budget
Addition of \$106,492 in personnel expenditures for 1.00 Program Coordinator and \$5,500 in non-personnel expenditures.	1.00	\$111,992

- Facilitate and advise teams throughout the City as they conduct Lean Six Sigma projects that improve and streamline processes
- Assist with the establishment of an internal training program to disseminate Lean Six Sigma knowledge and tools throughout the City
- Addition of non-personnel expenditures related to training, travel, and new employee workstation/equipment setup

Customer Service Delivery (Enhancement)	FTE	Budget
Addition of \$341,855 in personnel expenditures for 1.00 Program Manager and 2.00 Program Coordinators and \$366,500 in non-personnel expenditures.	3.00	\$708,355

- Begin the implementation of a coordinated and integrated 311 Customer Experience & Service Delivery Program
- Gather, consolidate, and manage information on City operations and services for both internal and external customers for the purposes of building and refining the "knowledge" component of the 311 program
- Research, evaluate, and manage existing and emerging customer communication channels and platforms, ensure effective coordination and integration of the program with other City efforts, including 911 and the Emergency Operations Center
- Analyze existing services and develop a timeline and protocol for assessing and adding services, and determining appropriate and measurable service levels per customer needs
- Establish Customer Service Standards per communication channel to facilitate self-evaluation and ensure continuously improving customer service levels; and evaluate

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existing decentralized customer service functions for opportunities to improve accuracy, reliability, and efficiency in service delivery

- Addition of non-personnel expenditures related to training, travel, new employee workstation/equipment set up and consultant services to assist with researching and evaluating best practices and lessons learned from other jurisdictions, developing the program, formulating an effective request for information/procurement process, and creating an implementation plan

Customer Service Delivery (Enhancement)	FTE	Budget
Addition of \$3,700,000 in non-personnel expenditures to support implementation of the 311 style Customer Experience and Service Delivery system with various technology investments.	0.00	\$3,700,000

- Activate a 311 calling code for customers within the City limits (\$50,000)
- Initiate a web-based Intelligent Virtual Agent (IVA) communication channel on the City's website to allow internal and external customers to access information interactively and avoid costly communication channels like telephone and email (\$650,000)
- Initiate interactive Voice Response (IVR) system with voice recognition to enable the City to handle and route calls received through the 311 calling code in an efficient manner instead of through the more limited "phone tree" (\$500,000)
- Initiate initial phase of a citywide Customer Relationship Management (CRM) solution, which include the software platform, software system integrator, business process consultants, change management, potential establishment of a customer service contact center, and coordination with the SAP Enterprise Asset Management (EAM) solution and Accela projects currently in development (\$2,500,000)

Open Data (Enhancement)	FTE	Budget
Addition of \$106,492 in personnel expenditures for 1.00 Program Coordinator and \$5,500 in non-personnel expenditures.	1.00	\$111,992

- Lead the establishment of City policies and the coordination of efforts related to the procurement, setup, and use of smart technologies and networks related to physical objects (such as sensor-equipped streetlights) that collect and share data for City operations and public use
- Prepare policies on data collection and the "Internet of Things" (IoT) for departments to follow as they work with IoT vendors and procure IoT technology; maps data flows and plan integrations; and engage and assist departments with using IoT technology to improve data collection and streamline operations
- Addition of non-personnel expenditures related to training, travel, and new employee workstation/equipment setup

Department Administration (Enhancement)	FTE	Budget
Addition of \$151,252 in personnel expenditures for 1.00 Deputy Director and \$5,500 in non-personnel expenditures.	1.00	\$156,752

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- Add a Deputy Director to assist with managing the Department and making critical operational and policy decisions and allow for the establishment of a more reasonable span of control which would facilitate decision making
- Addition of non-personnel expenditures related to training, travel, and new employee workstation/equipment setup

Department Administration (Enhancement)	FTE	Budget
Addition of \$5,000 in non-personnel expenditures.	0.00	\$5,000

- Addition of non-personnel expenditures to fund the Department's Rewards and Recognition Program per Administrative Regulation 95.91

Total Enhanced/Efficiency decision packages include 9.00 FTE positions and \$5,105,066 in expenditures.

FY 2017 Proposed Budget

The ZBB Enhanced/Efficiency decision packages approved and included in the Fiscal Year 2017 Proposed Budget includes 3.00 FTE and \$1.1 million to begin implementation of the 311-style Customer Experience & Service Delivery program, 1.00 FTE and \$111,992 in Open Data to expand web development and data analytics, reduction of \$25,000 in non-personnel expenditures associated with contractual services due to efficiencies, and \$5,000 to support the Employee Rewards and Recognition Program.

The ZBB Enhanced/Efficiency decision packages in the Fiscal Year 2017 Proposed Budget total 4.00 FTE, \$1.2 million in net expenditures. The packages include the following:

1. 311 Customer Experience & Service Delivery Decision Package

- Addition of \$150,000 in non-personnel expenditures to improve non-emergency telephone operations to allow the 311 program to pilot new technology on a smaller scale that offloads impact to existing non-emergency lines (i.e. in the Police and Transportation & Storm Water Departments).
- Addition of \$150,000 in non-personnel expenditures for professional consultant services related to the procurement of a Customer Relationship Management (CRM) system.
- Addition of \$100,000 in non-personnel expenditures for professional consultant services related to the development of a knowledge management database, which is a component of the CRM.
- Addition of \$341,855 in personnel expenditures for 1.00 Program Manager and 2.00 Program Coordinators, and \$366,500 in non-personnel expenditures.

2. Open Data Enhancement

- Addition of \$111,992 in personnel and associated non-personnel expenditures for 1.00 Program Coordinator to expand web development and data analytics.

3. Expenditure Reductions

- Reduction of \$25,000 of non-personnel expenditures associated with contractual services due to efficiencies.

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4. Department Administration

- Addition of \$5,000 in non-personnel expenditures related to the Department's Rewards and Recognition Program per Administrative Regulation 95.91.

Facilities Division

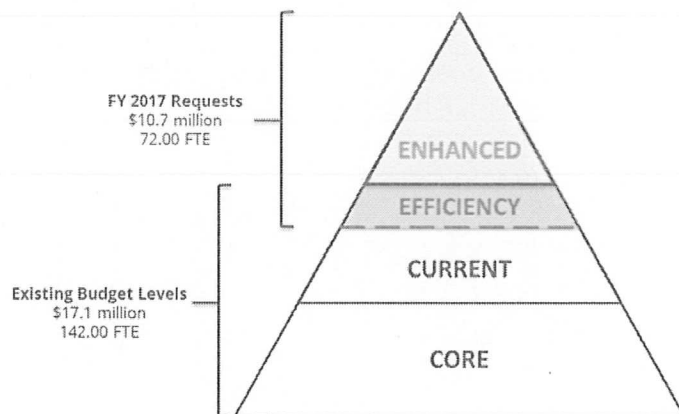
Facilities is a division within the Public Works Department responsible for providing all day-to-day maintenance and repair, modernization, improvement services, including emergency repairs, deferred maintenance, and tenant improvements to more than 1,600 citywide facilities. Deferred maintenance work includes re-roofing; replacing heating, ventilating and air conditioning systems; electrical repairs; and conducting structural repairs. The Facilities division implemented ZBB through funding allocations by services. Facilities assessed each service, evaluated the needs, and prioritized requests as "decision packages" within each service level.

Decision Package Summary:

Total Facilities' ZBB budget requests for the Fiscal Year 2017 Proposed ZBB budget is 214.00 FTE positions, \$27.7 million in net expenditures, and \$3.5 million in revenue.

The Core and Current decision packages closely reflect the existing budget levels (\$17.1 million, 142.00 FTE positions) as follows:

- Core decision packages include 111.00 FTE positions, \$11.9 million in expenditures, and \$2.7 million in revenue;
- Current decision packages include 31.00 FTE positions, \$5.2 million in expenditures, and \$553,567 in revenue.



Enhancement/Efficiency decision packages include 72.00 FTE positions, \$10.7 million in net expenditures, and \$253,983 in revenue.

The Facilities Division has a broad citywide scope of work that requires skilled trades to be responsive to thousands of customers as well as preserve the health and safety of those visiting more than 1,600 facilities citywide. The following is a high-level overview of the workload for Facilities:

- 1,600 facilities
- Total of approximately 6,000,000 square feet
- HVAC systems in approximately 90% of all facilities
- 125 conveyances across all facilities
- Fire Suppression System maintains 100 sprinklers and 200 alarms
- Intakes over 11,000 work requests across all service section
- Complete approximately 20 tenant improvements annually

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The decision package tables that follow provide decision package title and descriptions, FTE, and budget – the budget reflects total expenditures offset by revenues (where applicable). After each table is additional information on service level information and further justification for the decision package.

Core Decision Package Detail:

Facilities Division identified 10 services to be categorized as Core decision packages. These services are considered Core because they are externally required by legislation or mandate. The Core decision packages include:

- Elevator Maintenance & Repair;
- Fire Suppression and Fire Alarm Oversight;
- Electrical Services Section;
- Plumbing Services Section;
- HVAC Services.
- Roofing Services;
- Painting and Plasterer Services;
- Building Services-Technician Services;
- Custodial Services;
- Safety Program;

Elevator Maintenance & Repair (Core)	FTE	Budget
\$81,867 in personnel expenditures for 1.00 Project Assistant, \$448,643 in non-personnel expenditures, and \$20,000 in revenues from reimbursements.	1.00	\$510,510

- Ensure compliance with all of the necessary permit requirements⁴ as set forth by the State of California
- Project Assistant oversees the two elevator maintenance contracts valued at approximately \$600,000 and includes approximately 125 conveyances
- Contract for elevator maintenance requires monthly preventive maintenance and unlimited 24 hours, 7 days per week emergency service
- The revenue source is related to a service level agreement with the Public Utilities Department

Fire Suppression (Core)	FTE	Budget
\$81,867 in personnel expenditures for 1.00 Project Assistant, \$194,634 in non-personnel expenditures, and \$4,500 in revenues from reimbursements.	1.00	\$272,001

- Provide labor and materials for maintenance to 100 sprinklers and 200 alarms
- Ensure that fire suppression systems are operational, repairs/ replacements when needed
- Oversee the quarterly, annual and 5 year inspections to ensure compliance⁵ with the applicable permit requirements
- The revenue source is related to a service level agreement with the Public Utilities Department

⁴ Labor Code 7314 c, Assembly Bill No. SB 84, Labor Code section 7304, ASME A17.1-1990, Safety Code for Elevators and Escalators, CAL OSHA 1630(a)(1), 1604.29(a), ADA Requirement 4:10-1-3.

⁵ NFPA 25, and Title 19 for Automatic Sprinklers, Hose-Racks, NFPA 96, and federal, state and local codes.

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Electrical Services (Core)	FTE	Budget
\$1,428,514 in personnel expenditures for 16.00 Electricians, 1.00 Electrician Supervisor, and 1.00 Building Maintenance Supervisor; \$736,032 in non-personnel expenditures; and \$505,000 in revenues from reimbursements.	18.00	\$1,659,046

- Complete approximately 1,800 work requests/year
- Routinely install, test, repair, and replace electrical systems
- Provide special services to various City events such as the December Nights event
- The revenue sources is related to various enterprise funds and CIP related work
- Repair and maintenance of electrical systems is essential to ensure proper functionality of heating and ventilation, lighting, elevators, and ADA access requirements

Plumbing Services (Core)	FTE	Budget
\$898,811 in personnel expenditures for 11.00 Plumbers, 1.00 Plumbing Supervisor, and 1.00 Building Service Technician; \$539,594 in non-personnel expenditures; and \$335,711 in revenues from reimbursements.	13.00	\$1,102,694

- Complete an average of 4,000 work requests/year
- Maintain water, wastewater, steam, and various plumbing systems at current service levels and ensure a healthy environment for all building occupants and visitors
- Addition of non-personnel expenditures such as plumbing fixtures, pipe fittings, and specialized repair & maintenance services
- The revenue sources is related to various enterprise funds and CIP related work. Quick resolution of plumbing leaks is critical to maintaining a healthy environment for all building occupants and visitors

Heating, Ventilation, & Air Conditioning Services (Core)	FTE	Budget
\$2,023,281 in personnel expenditures for 17.00 HVACR Technician, 5.00 Senior HVACR Technician, 2.00 HVAC Supervisors, 1.00 Building Service Technician, and 1.00 Building Maintenance Supervisor; \$805,916 in non-personnel expenditures; and \$604,472 in revenues from reimbursements.	26.00	\$2,224,725

- Process an average of 2,500 work requests per year
- Maintain HVAC systems to ensure proper ventilation for all building occupants and visitors
- Addition of non-personnel expenditures mostly comprised of materials, supplies, and specialized HVAC services
- The revenue sources is related to various enterprise funds and CIP related work
- Proper ventilation is vital to the health and safety of the building occupants and visitors

Roofing Services (Core)	FTE	Budget
\$649,722 in personnel expenditures for 6.00 Roofers, 1.00 Building Service Technician, and 1.00 Building Maintenance Supervisor; \$326,901 in non-personnel expenditures; and \$739,278 in revenues from reimbursements.	8.00	\$237,345

- Complete approximately 307 work requests annually
- Include regulatory mandates such as CA Title 24 and various CA building codes

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- The revenue sources is related to various enterprise funds and CIP related work
- Provide quick resolution of roofing leaks is critical to maintaining a healthy environment for all building occupants and visitors

Painting and Plasterer Services (Core)	FTE	Budget
\$1,397,425 in personnel expenditures for 2.00 Plasterers, 14.00 Painters, 1.00 Painter Supervisor, and 1.00 Building Maintenance Supervisor; \$300,035 in non-personnel expenditures; and \$167,856 in revenues from reimbursements.	18.00	\$1,529,604

- Process approximately 380 work requests annually
- Average 13 years for repainting buildings⁶
- Ensures building preservation and beautification of buildings at current service levels
- Addition of non-personnel expenditures mostly comprised of supplies, materials, and fleet costs
- The revenue sources is related to various enterprise funds and CIP related work.
- Provide Painting and Plasterer services to various City facilities essential for building preservation and long term cost avoidance

Building Service Technician Services (Core)	FTE	Budget
\$605,821 in personnel expenditures for 8.00 Building Service Technicians and 1.00 Building Maintenance Supervisor; \$169,929 in non-personnel expenditures; and \$100,713 in revenues from reimbursements.	9.00	\$675,037

- Complete an average of 977 work requests annually
- Perform minor building maintenance and repairs involving carpentry, electrical, painting, plumbing and mechanical work
- Enter daily tasks into the specialized maintenance reporting system, iMaint
- Addition of non-personnel expenditures mostly comprised of supplies, materials, and fleet costs
- The revenue sources is related to various enterprise funds and CIP related work
- Building Service Technicians are extremely vital in keeping buildings and structures functioning on a day to day basis by providing minor repairs and replacements throughout various City facilities

Custodial Services (Core)	FTE	Budget
\$928,491 in personnel expenditures for 1.00 Building Supervisor, 1.00 Building Service Technician, and 14.00 Custodian 2; \$112,965 in non-personnel expenditures; and \$200,000 in revenues from reimbursements.	16.00	\$841,456

- Maintain sanitary conditions⁷ for two buildings totaling 367,564 square feet (City Administration Building and City Operations Building)
- Revenue source is for services provided to Development Services Department
- The custodial staff is essential in keeping sanitary conditions for City facilities in compliance with the standards of California Occupational Safety and Health Administration

⁶ Industry standard for re-painting is approximately 5-7 years.

⁷ Title 29 of the Code of Federal Regulations, Part 1910, Section 141

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Safety Program (Core)	FTE	Budget
\$132,320 in personnel expenditures for 1.00 Safety Officer and \$27,953 in non-personnel expenditures.	1.00	160,273

- Provide safety training and guidance to 141 employees within the Facilities Division
- Maintain facilities in compliance with safety requirements per federal, State and local mandates⁸
- Administer Safety Programs, including: Injury and Illness Prevention Program, Confined Space Program, Fall Protection, Personal Protective Equipment, Respiratory Protection, Hazard Communication and other related safety programs
- Addition of non-personnel expenditures mostly comprised of medical supplies, safety awards, safety supplies, and fleet costs
- The Safety Program is essential in keeping City facilities in compliance with Federal, State and local safety requirements

Total Core decision packages include 111.00 FTE positions, \$11.9 million in expenditures, and \$2.7 million in revenue.

Current Decision Package Detail:

Facilities Division identified four current services (Work Control, Carpentry, Locksmith, and Administration) as existing service levels not mandated by law or other external authority.

- Work Control Section is the central point for all incoming work requests for various City Facilities. Proper management of incoming requests is essential in responding to emergency requests and all maintenance and repair priorities.
- Carpentry service duties include but are not limited to repairs to buildings, fences, doors and other structures; building forms, frames and stairways; building and installing window frames, sashes, door frames and casings, doors screens, counters, partitions, ceiling systems, and paneling; repairing damage to building and structures.
- Locksmith services include but are not limited to the installation, maintenance, adjustments, repairs and rebuilds of all types of manual locking devices, equipment and system, establishes and maintains master key systems, maintains computerized and manual records of locks, keys and entry cards and other related devices.
- Administrative Services Section is essential in keeping the Facilities Division's operation running by providing the necessary fiscal, accounts payable, personnel, procurement, and payroll support.

Work Control (Current)	FTE	Budget
\$575,844 in personnel expenditures for 2.00 Construction Estimator, 1.00 Senior Building Supervisor, 1.00 Building Maintenance Supervisor, and 1.00 Administrative Aide 1; \$27,492 in non-personnel expenditures; and \$50,000 in revenues from reimbursements.	5.00	\$553,336

- Intake and process approximately 11,000 work requests annually
- Maintain repair work history of 1,600 City facilities, provides construction estimates, and provide daily support to customer work order requests

⁸ Cal OSHA, CCR, Title 8 & 29, and Code of Federal Regulations

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- Provide information to City employees and the public on repair and maintenance of City facilities and timeframe of repairs
- The non-personnel budget is reflective of a \$1.5M expense for the SAP/EAM Asset Management enhancement
- The revenue sources is related to various enterprise funds and CIP related work.
- Provide proper management of incoming requests essential to responding to emergency requests and priorities

Carpentry Services (Current)	FTE	Budget
\$1,405,240 in personnel expenditures for 16.00 Carpenters and 1.00 Carpenter Supervisor; \$327,924 in non-personnel expenditures; and \$503,567 in revenues from reimbursements.	17.00	1,229,597

- Process an average of 900 work requests annually
- Construct and/or repair buildings, bridges, fences, doors, and other structures; installs roof sheeting, restroom partitions, drywall, small concrete job; and mills lumber for historical buildings, building fascia replacement, and cabinetry
- Addition of non-personnel expenditures mostly comprised of building materials, tools, and fleet costs
- The revenue sources is related to various enterprise funds and CIP related work
- Provide carpentry services to various City facilities is essential for building preservation, health and safety of building occupants and visitors, and long term cost avoidance

Locksmith Services (Current)	FTE	Budget
\$226,220 in personnel expenditures for 2.00 Locksmiths and 1.00 Senior Locksmith; and \$239,053 in non-personnel expenditures.	3.00	\$465,273

- Complete approximately 650 work requests annually
- Provide installation, maintenance, adjustments, repairs and rebuilds of all types of manual locking devices, equipment and system
- Establish and maintain master key systems computerized and manual records of locks, keys and entry cards and other related devices
- Provide Locksmith services essential to ensuring the safety of the building occupants and visitors of City facilities by ensuring that locking systems are in working order

Administration (Current)	FTE	Budget
\$660,715 in personnel expenditures for 1.00 Deputy Director, 1.00 Senior Management Analyst, 1.00 Administrative Aide 2, 2.00 Account Clerk, and 1.00 Payroll Specialist; and \$1,727,889 in non-personnel expenditures.	6.00	\$2,338,604

- Provide internal controls and accountability for 141 personnel in division
- Provide accounts payable, personnel, procurement and payroll support services
- Addition of non-personnel expenditures mostly comprised of non-discretionary costs such as SAP support, fleet, and energy & utilities
- Provide essential administration staff to the operations of the Facilities Division by providing the necessary fiscal, accounts payable, personnel, procurement and payroll support

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Total Current decision packages include 31.00 FTE positions, \$5.2 million in expenditures, and \$553,567 in revenue.

Enhancement/Efficiency Decision Package Detail:

Facilities developed 35 Enhancement/Efficiency decision packages. These decision packages build onto current decision packages and request funding to enhance and maintain current service levels. Facilities Division currently maintains 1,600 facilities citywide. Condition assessments recently completed report that of the 326 facilities assessed in Fiscal Year 2015, 159 received a "good" condition rating of "good," 58 received a "fair" rating, and 109 were rated "poor." A condition rating of "good" FCI is between 0% - 20% and a "fair" FCI is between 21%-29%. This package also includes budget reductions due to operational efficiencies or line-item reduction. There are four enhancement categories: Infrastructure Preservation, Core Replacement, Preventative Maintenance, and Natural Resources & Energy Efficiency.

- a) **Infrastructure Preservation (IP):** Facilities defines Infrastructure Preservation as an enhanced method to maintaining City-owned facilities. Instead of using a short-term/crisis approach to repairing and maintaining facilities, which is generally the current approach, the intent is to focus on providing more effective long-term solutions by implementing more preventative maintenance and smaller scale component type replacements.

Administration (IP)	FTE	Budget
Addition of \$196,628 in personnel expenditures for 1.00 Buyer's Aide I and 1.00 Program Manager.	2.00	\$196,628

- Process approximately 200 requisitions and 6,000 invoices annually
- Expedite the purchasing process
- Enhance Facility tracking mechanisms
- Enhance timelines for repair and maintenance
- The Buyer's Aide I and the Program Manager will be instrumental in supporting a more proactive mode by expediting procurement processes, conducting studies to gain efficiencies, and adhering to the latest building code requirements

Building Service Technician (IP)	FTE	Budget
Addition of \$53,535 in personnel expenditures for 1.00 Building Service Technician and \$60,400 in non-personnel expenditures.	1.00	\$113,935

- Address current backlog by 150 work requests annually
- Addition of non-personnel expenditures mostly comprised of building materials, electrical materials, and fleet costs
- The current staff level cannot complete the scheduled BST Preventative Maintenance Program (PM) work orders in a timely manner. The back log of the BST repair work orders fall behind when the BSTs assist the other trades with projects

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Carpenters (IP)	FTE	Budget
Addition of \$207,287 in personnel expenditures for 2.00 Carpenters and, 1.00 Carpenter Supervisor; and \$182,200 in non-personnel expenditures.	3.00	\$389,487

- Enhance service, maintenance, and repair to 140 structures citywide annually
- Addition of non-personnel expenditures mostly comprised of building materials and fleet costs
- Addition of 2.00 Carpenters and 1.0 Carpenter Supervisor position to focus on public and City employee safety and address any structural and building component damage that is deemed unsafe for building occupants and visitors. The replacements, repairs and preventative maintenance will result in long-term cost avoidance

Electrical (IP)	FTE	Budget
Addition of \$346,076 in personnel expenditures for 1.00 Apprentice 2 - Electrician, 1.00 Electrician Supervisor, and 3.00 Electricians; and \$262,200 in non-personnel expenditures.	5.00	\$608,276

- Enhance response to projected annual increase of 100 work requests
- Allow focus on smaller outlying facilities that have not received as much attention in the past
- Addition of non-personnel expenditures mostly comprised of electrical materials and fleet costs
- Addition of 1.00 Electrician Supervisor, 2.00 Electricians, and 1.0 Apprenticeship. Electrician Supervisor and Electricians will focus on public and City employee safety and will address any electrical component damage that is deemed unsafe for building occupants and visitors. The replacements, repairs and preventative maintenance will result in long-term cost avoidance

HVAC (IP)	FTE	Budget
Addition of \$128,197 in personnel expenditures for 1.00 Apprentice 2 - HVACR Technician and 1.00 HVACR Technician; and \$81,200 in non-personnel expenditures.	2.00	\$209,397

- Enhance service, maintenance, repair, and install 1,785 HVAC units and equipment
- Addition of non-personnel expenditures mostly comprised of HVAC materials and fleet costs
- Addition of 1.00 Apprenticeship 2-HVACR position and 1.00 HVACR Technician positions to focus on public and City employee safety and will address any structural and building component damage that is deemed unsafe for building occupants and visitors. The replacements, repairs and preventative maintenance will result in long-term cost avoidance

Locksmith (IP)	FTE	Budget
Addition of \$66,111 in personnel expenditures for 1.00 Locksmith and \$64,600 in non-personnel expenditures.	1.00	\$130,711

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- Enhance service, maintenance, and repair 200 locking systems annually
- Provide capacity to check and test for proper functions of doors and door closures and locks throughout a facility once staff arrive on site
- Addition of non-personnel expenditures mostly comprised of locks and security hardware and fleet costs

Painters & Plasterer (IP)	FTE	Budget
Addition of \$384,670 in personnel expenditures for 4.00 Painters, 1.00 Painter Supervisor, and 1.00 Plasterer; and \$267,000 in non-personnel expenditures.	6.00	\$651,670

- Provide painting services to additional 190 facilities and plasterer services to an additional 95 facilities annually
- Expedite the restoration of facilities to the original or enhanced state after the other Facilities trades conduct a repair or replacement
- Focus on moving to a scheduled maintenance program in line with the industry standard of 5-7 years for repainting; currently the City repaints every 13 years
- Addition of non-personnel expenditures mostly comprised of supplies, materials, and fleet costs
- Addition of 4.00 Painter positions and 1.00 Painter Supervisor position to support re-painting, plaster repairs and services, and related preventative maintenance that will result in long-term cost avoidance

Plumbers (IP)	FTE	Budget
Addition of \$135,594 in personnel expenditures for 2.00 Plumbers and \$95,000 in non-personnel expenditures.	2.00	\$230,594

- Enhance service, maintenance, and repair 5,000 fixtures/work requests
- Provide capacity to replace old galvanized water systems vs. simply repairing leaks in pipes
- Replace old cast iron waste systems that back up due to years of pipe build up
- Addition of non-personnel expenditures mostly comprised of plumbing fixtures and fleet costs
- Addition of 2.00 Plumber positions to address any needed plumbing issues that are deemed unsafe and unhealthy for building occupants and visitors. The replacements, repairs and preventative maintenance will result in long-term cost avoidance

Roofers (IP)	FTE	Budget
Addition of \$59,829 in personnel expenditures for 1.00 Roofer and \$20,600 in non-personnel expenditures.	1.00	\$80,429

- Enhance service, maintenance, and repair an additional 25 roofs annually
- Address roofing backlog which increases due lack of manpower, budget constraints and the combined total square footage of roofs of approximately 1,216 buildings
- Addition of non-personnel expenditures mostly comprised of building materials
- Addition of 1.00 Roofer position to focus on public and City employee health and safety and will address any roofing issues that are deemed unsafe and unhealthy for building occupants and visitors. The replacements, repairs and preventative maintenance will result in long-term cost avoidance

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Carpet Replacement (IP)	FTE	Budget
Addition of \$255,000 in non-personnel expenditures to replace the carpet in the City Administration Building.	0.00	\$255,000

- Replace carpet floors two, six, seven, and ten in the City Administration Building
- Carpet on these floors are beyond the useful life and in need of replacement

Facilities Condition Assessment (IP)	FTE	Budget
Addition of \$250,000 in non-personnel expenditures for special reports associated with condition assessments of City facilities.	0.00	\$250,000

- Provide special reports related to condition assessment or capital and maintenance planning, website/open data work, labor and assessment of any assets that come up
- Facilities Condition Assessment is an extremely large and detailed database that is used for facilities asset evaluation that will need to eventually be linked to the SAP/IAM system

IAM Training (IP)	FTE	Budget
Addition of \$25,452 in non-personnel expenditures for in-town SAP training associated with the Infrastructure Asset Management.	0.00	\$25,452

- Train 164 Employees
- The IAM project includes improving the City's business processes and addressing gaps; implementing new best practice software solutions; and migrating from the multiple, old, disparate systems to a single new system. Training business users to enable them with the new processes, functions, and technologies is critical for successful implementation of the new EAM system
- Provide training and enhancements after the system is implemented is essential to utilizing the new SAP/EAM system

IAM Reimbursable Revenue (IP)	FTE	Budget
Adjustment to reflect revised revenue projections for reimbursement of SAP Infrastructure Asset Management (IAM, formerly EAM) project labor.	0.00	\$253,983

- Addition of 4.00 Facilities position will be dedicated to the SAP/IAM System implementation

Safety Training Support (IP)	FTE	Budget
Addition of \$101,570 in personnel expenditures for 1.00 Safety and Training Manager.	0.00	\$101,570

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- Support training of new employees, supervisory readiness, and manage risk of trade employees to meet OSHA standards.

Department Administration (IP)	FTE	Budget
Addition of \$7,475 in non-personnel expenditures.	0.00	\$7,475

- Addition of non-personnel expenditures to fund the Department's Rewards and Recognition Program per Administrative Regulation 95.91

Department Reductions (Efficiency)	FTE	Budget
Reduction of \$28,500 in non-personnel expenditures.	0.00	\$(28,500)

- Reduce non-personnel expenditures associated with supplies and services

Total Infrastructure Preservation decision packages include 24.00 FTE positions and \$3.2 million in net expenditures.

- b) **Core Replacement (CR):** Core Replacements include replacements that do not normally qualify for Capital Improvements Program funding, but are too large for the present operating and maintenance budget. These replacements include heating and ventilation units, sewer pumps, roofs, doors, windows and lock system replacements, elevators and fire suppression systems and major electrical replacements. The Facilities Condition Assessment (FCA) Interim Report generated on May 27, 2015 categorized maintenance and capital backlog into three reliability levels (1. Operational Impacts, 2. Deterioration, 3. Appearance), with level 1 being the highest priority for the City to address. A Level 1 priority represents systems that can lead to partial or full shut-downs. The FCA noted that electrical, mechanical (HVAC), plumbing, fire protection, conveying, and site related utility systems are at a Level 1 priority. Core Replacements decision packages focus on address Level 1 priority projects.

Elevators (CR)	FTE	Budget
Addition of \$100,000 in non-personnel expenditures.	-	\$100,000

- Provide contract to replace 1 elevator each fiscal year to meet the Level 1 priority replacements that were identified in the condition assessment
- Replace elevators citywide in order to minimize the consequence of failure

Fire Suppression (CR)	FTE	Budget
Addition of \$50,000 in non-personnel expenditures.	-	\$50,000

- Provide contract to replace 4 fire panels each fiscal year to meet the Level 1 priority
- Replace fire suppression systems citywide in order to minimize the consequence of failure

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Carpentry (CR)	FTE	Budget
Addition of \$67,499 in personnel expenditures for 1.00 Carpenter and \$96,400 in non-personnel expenditures.	1.00	\$163,899

- Address an additional 360 work requests for facility structures
- Address required American Disability Act upgrades
- Addition of non-personnel expenditures mostly comprised of plumbing fixtures and fleet costs
- Addition of 1.00 Carpenter position is needed to address the structural damage that remains unaddressed to avoid a building shut down and restore structures to their original state after a core replacement has been conducted from the other trades.

Electrical (CR)	FTE	Budget
Addition of \$207,277 in personnel expenditures for 3.00 Electricians and \$427,400 in non-personnel expenditures.	3.00	\$634,677

- Replace switchgear, HVAC motors, lighting inverters, and lighting controllers
- Replace 24 electrical components and electrical systems labeled Level 1 priority
- Addition of non-personnel expenditures mostly comprised of electrical materials
- Addition of 3.00 Electricians to support the core replacements of electrical system components

HVACR (CR)	FTE	Budget
Addition of \$140,549 in personnel expenditures for 2.00 HVACR Technicians and \$201,500 in non-personnel expenditures.	2.00	\$342,049

- Replace 450 HVAC units labeled Level 1 priority
- Addition of non-personnel expenditures mostly comprised of HVAC materials and parts and fleet costs
- Addition of 2.00 HVACR Technicians to support the core replacement of HVAC system components

Locksmith Services (CR)	FTE	Budget
Addition of \$132,927 in personnel expenditures for 1.00 Locksmith and 1.00 Senior Locksmith; and \$84,800 in non-personnel expenditures.	2.00	\$217,727

- Replace 450 lock systems annually labeled Level 1 priority
- Addition of non-personnel expenditures mostly comprised of locks and security hardware and fleet costs
- Addition of 1.00 Locksmith to focus on the required core replacements and 1.0 Senior Locksmith will be able to upgrade facility security locks to electronic card reader panic bars and failing door closures

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Painter and Plasterer (CR)	FTE	Budget
Addition of \$128,475 in personnel expenditures for 1.00 Painter and 1.00 Plasterer; and \$112,000 in non-personnel expenditures.	2.00	\$240,475

- Address additional 80 work requests for the Painter Section and 40 work requests for the Plasterer Section to restore the facility structures back to the original or enhanced state
- Focus on various recreation centers for exterior and interior painting and other smaller follow up projects
- Replace broken concrete pads, walkways, cracked block walls, stucco walls tile and flooring in bathrooms and shower areas instead of just repairing
- Addition of non-personnel expenditures mostly comprised of paint and plaster materials
- Addition of 1.00 Painter to follow up after the priority level 1 task have been completed, this painter position will be used to restore the original look of the wall surrounding the area that's been replaced
- Addition of 1.00 Plaster position to follow up after the majority of the replacements for HVAC, electrical, and plumbing work. Additionally, the plasterer will replace broken concrete pads, walkways, cracked block walls, stucco walls tile, and flooring in bathrooms and shower areas instead of just repairing

Plumbing Services (CR)	FTE	Budget
Addition of \$203,392 in personnel expenditures for 3.00 Plumbers and \$279,400 in non-personnel expenditures.	3.00	\$482,792

- Replace plumbing in 20 Facilities labeled Level 1 priority
- Conduct major priority plumbing services at Park and Recreation comfort stations
- Addition of non-personnel expenditures mostly comprised of plumbing fixtures and fleet costs
- Addition of 3.00 Plumbers to support the core replacement of plumbing system components

Roofing Services (CR)	FTE	Budget
Addition of \$59,829 in personnel expenditures for 1.00 Roofer and \$35,600 in non-personnel expenditures.	1.00	\$95,429

- Replace 24 roofs annually labeled Level 1 priority
- Target various smaller to mid-range roofs that are in need of replacement
- Addition of non-personnel expenditures mostly comprised of building materials
- Addition of 1.00 Roofer is needed to replace the roofs that are deemed a safety hazard and a level 1 priority

Total Core Replacement decision packages include 14.00 FTE positions and \$2.3 million in expenditures.

- c) **Preventative Maintenance (PM):** The Preventative Maintenance decision package focuses on a full-scale preventative maintenance program. The current service levels for

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operations is evaluated by the number of work requests completed annually. Facilities estimates approximately 11,000 work requests annually, of which approximately 20% is for preventative maintenance efforts. If a full preventative maintenance program is implemented, where additional staff and materials costs are dedicated to preventative maintenance, Facilities Maintenance would have the ability to move from an approximate 80% reactive mode to possibly a 50% reactive mode and a 50% proactive mode.

Neglecting preventative maintenance can lead to equipment failure and expensive repairs or the need for a full replacement. Approximately two-thirds of the system failures can be prevented by a routine preventive maintenance program. The failure rate of equipment is three times higher for components that are not part of a scheduled preventive maintenance program as compared to those that are.

Building Services Technicians (PM)	FTE	Budget
Addition of \$160,605 in personnel expenditures for 3.00 Building Service Technicians and \$206,200 in non-personnel expenditures.	3.00	\$366,805

- Conduct 155 additional preventative maintenance efforts annually
- Addition of non-personnel expenditures mostly comprised of building materials and fleet costs
- Addition of 3.00 Building Services Technicians to ensure that building systems and components are in satisfactory operating condition by providing inspections, detection, and correction of possible failures either before they occur or before they develop into major defects and malfunctions

Electrical Services (PM)	FTE	Budget
Addition of \$276,369 in personnel expenditures for 4.00 Electricians and \$293,600 in non-personnel expenditures.	4.00	\$569,969

- Conduct 533 routine preventative maintenance efforts annually
- Addition of non-personnel expenditures mostly comprised of electrical materials and fleet costs
- Addition of 4.00 Electrician positions to support the Preventative Maintenance Program and to focus on more complex electrical systems and components to ensure that they are in satisfactory operating condition by providing inspections, detection, and correction of possible failures either before they occur or before they develop into major defects and malfunctions

HVACR (PM)	FTE	Budget
Addition of \$406,077 in personnel expenditures for 6.00 HVACR Technicians and \$242,000 in non-personnel expenditures.	6.00	\$648,077

- Conduct additional 2,500 work requests for routine preventative maintenance efforts annually
- Addition of non-personnel expenditures mostly comprised of HVAC materials and fleet costs

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- Addition of 6.00 HVACR Technician to conduct preventative maintenance activities on the HVAC systems that require the skill of a trained technician

Painting Services (PM)	FTE	Budget
Addition of \$434,191 in personnel expenditures for 7.00 Painters and \$240,600 in non-personnel expenditures.	7.00	\$674,791

- Re-paint an additional 24 facilities for routine preventative maintenance efforts annually
- Repaint a building every 5- 7 years, which is the maximum life for protective coatings
- Addition of non-personnel expenditures mostly comprised of painting materials and fleet costs
- Addition of 7.00 Painter positions are needed to address the complex paint projects that are discovered by the Building Services Technicians and move from re-painting a building every 13-14 years to repainting buildings every 5- 7 years which is the maximum life for protective coatings

Plumbing Services (PM)	FTE	Budget
Addition of \$67,797 in personnel expenditures for 2.00 Plumbers and \$84,400 in non-personnel expenditures.	1.00	\$152,197

- Conduct 700 preventative maintenance work requests annually
- Locate and clean all water meter and clean out access boxes, locate and inspect facility gas meter; checks and report backflow valves problem to Water Department; checks park and building exterior fixtures; and complete other tasks
- Addition of non-personnel expenditures mostly comprised of plumbing materials and fleet costs

Roofing Services (PM)	FTE	Budget
Addition of \$119,657 in personnel expenditures for 2.00 Roofer and \$91,000 in non-personnel expenditures.	2.00	\$210,657

- Conduct 360 work requests for preventative maintenance efforts annually
- Clean roofs, check roof material, flashing, cleans gutters, checks for dry rot, check for termite damage, and other structural damage
- Addition of non-personnel expenditures mostly comprised of building materials and fleet costs

Total Preventive Maintenance decision packages include 23.00 FTE positions and \$2.6 million in expenditures.

- d) **Natural Resources & Energy Efficiency (NR):** This decision package focuses on energy efficiency replacements, such as LED (Light Emitting Diode) replacements, HVAC Replacements, window replacements, water conservation efforts such as plumbing fixture replacements, and the installation of filtration systems for HVAC Cooling Towers. These service levels will be evaluated by the number of energy efficient replacements conducted per year. Due to the age of buildings, equipment usually has to be special ordered which

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takes much longer than repairing equipment and the service levels would range by the complexity of the component or unit being replaced.

Carpentry Services (NR)	FTE	Budget
Addition of \$134,997 in personnel expenditures for 2.00 Carpenters and \$593,800 in non-personnel expenditures.	2.00	\$728,797
<ul style="list-style-type: none"> • Replace 312 windows and 364 doors to meet Energy Efficiency standards for dual glazed windows and door weather-stripping • Addition of non-personnel expenditures mostly comprised of building materials and fleet costs • Addition of 2.00 Carpenter positions to replace single paned windows with dual paned windows. Dual paned windows are the current California Title 24 requirement for commercial building standards 		

Electrical Services (NR)	FTE	Budget
Addition of \$207,277 in personnel expenditures for 3.00 Electricians and \$488,900 in non-personnel expenditures.	3.00	\$696,177
<ul style="list-style-type: none"> • Replace and install 800 light fixtures to meet Energy Efficiency standards • Addition of non-personnel expenditures mostly comprised of electrical materials and fleet costs 		

HVACR Services (NR)	FTE	Budget
Addition of \$270,718 in personnel expenditures for 4.00 HVACR Technicians and \$380,000 in non-personnel expenditures.	4.00	\$650,718
<ul style="list-style-type: none"> • Replace and install 40 HVAC units and 1500 thermostats to meet Energy Efficiency standards • Addition of non-personnel expenditures mostly comprised of HVAC materials and fleet costs • Addition of 4.00 HVAC positions to focus on replacing current HVAC units with California Title 24 energy efficient HVAC units with minimum 13 Seasonal Energy Efficiency Ratio and installation of programmable thermostats and Energy Management Systems (EMS) 		

Plumbing Services (NR)	FTE	Budget
Addition of \$135,594 in personnel expenditures for 2.00 Plumbers and \$266,000 in non-personnel expenditures.	2.00	\$401,594
<ul style="list-style-type: none"> • Replace and install 1,300 plumbing fixtures to meet Energy Efficiency standards • Focus on replacing the existing urinals, toilets, and flushometers to low-flow • Addition of non-personnel expenditures mostly comprised of plumbing materials and fleet costs 		

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Total Natural Resources & Energy Efficiency decision package includes 11.00 FTE positions and \$2.5 million in expenditures.

FY 2017 Proposed Budget:

Performance metrics are central to decision package proposals. For the Facilities decision packages, the focal performance outcome metric is the Facilities Condition Index (FCI)⁹. The FCI is driven by three primary variables: cost of maintenance backlog, capital backlog, and facility replacement value. Although each position in Facilities takes part in the achieving an acceptable or favorable FCI; the positions most essential to this effort are the HVACR (Heating, Ventilation, Air Conditioning and Refrigeration) technicians, electricians, plumbers, carpenters, building services technicians, and painters. The proposed budget decision packages increase these positions.

The FY 2017 Proposed Budget is reflective of the Infrastructure Preservation decision packages. The long-term goal for Facilities is to reach greater FCI ratings overtime by targeting one decision package or implementing a portion of each decision package over each fiscal year. This method of progressive growth was selected in order to ensure that the most cost beneficial and effective measures are considered during expansion.

The ZBB Enhanced/Efficiency decision packages in the Fiscal Year 2017 Proposed Budget total 24.00 FTE, \$3.2 million in net expenditures. The packages include the following:

- (1) 21.00 FTE positions and associated non-personnel expenditures of \$2.5 million to increase the facilities maintenance and repair service levels and 2.00 FTE positions and associated non-personnel expenditures of \$139,249 for the Apprenticeship Program
- (2) Carpet Replacement: \$255,000 to replace the carpet in the City Administration Building
- (3) Facilities Condition Assessment: \$250,000 for special reports associated with condition assessments of City facilities
- (4) IAM Training: \$25,452 for in-town SAP training associated with the Infrastructure Asset Management
- (5) IAM Reimbursable Revenue: \$253,983 adjustment to reflect revised revenue projections for reimbursement of SAP Infrastructure Asset Management (IAM, formerly EAM) project labor
- (6) Safety Training Support: \$101,570 for a 1.00 Safety and Training Manager in Support training of new employees, supervisory readiness, and manage risk of trade employees to meet OSHA standards
- (7) Rewards and Recognition Program: \$7,475 to fund the Department's Rewards and Recognition Program per Administrative Regulation 95.91
- (8) Department Reductions: (\$28,500) adjustment to reflect a reduction in supplies and services

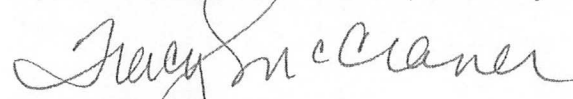
⁹ Facilities Condition Assessment Report, December 2015.

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The proposal will enable Facilities to target those areas that have been under resourced and are essential in achieving acceptable building condition levels and maintaining a safe and healthy environment for the building occupants and visitors. Facilities has set a goal of achieving 15% FCI for all public buildings and 20% FCI for all non-public buildings. The proposed budget will provide the additional resources and staff anticipated to allow Facilities to provide more effective long-term solutions, which are essential to improving the overall condition of the buildings necessary to achieve desired FCI ratings.

CONCLUSION

From July 2015 through March 2016, FM engaged Facilities and Performance & Analytics Department to undertake a ZBB pilot process alongside the City's current budget development process. It is important to note that ZBB concepts applied in this pilot are currently used in the budget development process (e.g. information technology and non-discretionary funding). Additionally, ZBB is a management principle used by departments when requesting additional funding, or incremental increases, as part of the City's current budget development process. This pilot resulted in ZBB decision packages in the Fiscal Year 2017 Proposed Budget which seek to enhance service levels beyond current service levels as reflected in the FY 2016 Adopted Budget. The P&A FY 2017 Proposed Budget includes 4.00 FTE positions and \$1.2 million in net expenditures as an initial investment to phase in the 311 Customer Service Delivery System and enhance the Open Data initiative. The Facilities FY 2017 Proposed Budget adds 24.00 FTE positions and \$3.2 million in net expenditures to improve the overall Facilities Condition Index rating for City buildings. It is anticipated that an update to this report will be provided by September 2016. At that time, the ZBB process will have been completed with the adoption of FY 2017 budget. The scope of the update may include: discussion of any budgetary variances between the Proposed ZBB versus the Adopted ZBB, cost analysis of department staff time to undertake ZBB, lessons learned, and analysis of the overall process.



Tracy McCraner
Financial Management Director

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